

## Message Text

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PAGE 01 BUENOS 08863 052220Z

62

ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 COME-00 INT-05 TRSE-00 CIAE-00

INR-05 NSAE-00 RSC-01 SP-02 AID-05 NSC-05 CIEP-01

SS-15 STR-01 OMB-01 CEA-01 /056 W

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P 052150Z DEC 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 9087

LIMITED OFFICIAL USE BUENOS AIRES 8863

E.O. 11652: N/A

TAGS: EIND, ETRD, AR

SUBJ: ARGENTINAS FOURTH QUARTER SCRAP SITUATION

REF: STATE 241649; BA 8592

1. TOTAL STEEL PRODUCTION FOR ARGENTINA IN CY 1975 ESTIMATED BY INDUSTRY ASSOCIATION - CENTRO DE INDUSTRIALES SIDERURGICOS (CIS) AT 2.8 MILLION METRIC TONS (MMT). THIS COMPARES TO ESTIMATE OF 2.4 MMT'S FOR CY 1974, AND 1973 CIS ESTIMATE FOR 1974 OUTPUT OF 3.4 MMT. EMBASSY ESTIMATES CY 1975 QUARTERLY OUTPUT AS FOLLOWS: FIRST QUARTER 575,000 MT; SECOND QUARTER 700,000 MT; THIRD QUARTER 750,000 MT; FOURTH QUARTER 775,000 MT. WE BELIEVE PRODUCTION ESTIMATES ARE REALISTIC. ESTIMATES IN PRESENT CIRCUMSTANCES ARE DIFFICULT AT BEST. SUFFICIENT INSTALLED CAPACITY TO PRODUCE MORE THAN 2.8 MMT EXISTS, BUT FOUR WEEK US COAL STIKE IS EXPECTED TO RESULT IN REDUCTION OF AS MUCH AS 150,00 MTS OF STEEL OUTPUT, AND PROBLEMS SOMISA, COUNTRY'S MAJOR PRODUCER IS HAVING WITH NEW BLAST FURNACE WILL FURTHER CUT INTO POTENTIAL PRODUCTION. ADDITIONALLY, WE BELIEVE 2.1 MMT FIGURE TAKES INTO CONSIDERATION SCARCITY OF SCRAP.

2. FY: CIS ESTIMATED SCRAP IMPORT REQUIREMENTS FOR CY 1975 AT BETWEEN 360 AND 480 THOUSAND METRIC TONS, DEPENDING ON IMPACT OF FACTORS OUTLINED ABOVE COMPARED TO THE ROUGHLY  
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PAGE 02 BUENOS 08863 052220Z

145 THOUSAND METRIC TONS ARGENTINA RECEIVED UNDER US EXPORT

QUOTA SYSTEM IN CY 1974. THESE ARE CIS ESTIMATES, WHICH EMBASSY CONSIDERS TO BE GENERALLY ON THE HIGH SIDE. NEVERTHELESS, SEVERAL OF THE SMALLER SEMI-INTEGRATED PLANTS HERE HAVE BEEN OPERATING AT SIGNIFICANTLY BELOW CAPACITY LEVELS OF THE PAST SIX MONTHS IN GOOD MEASURE BECAUSE OF SCRAP SHORTAGE. GIVEN SIGNIFICANT CAPACITY INCREASES IN STEEL INDUSTRY OVER PAST TWO YEARS, IT IS CLEAR THAT ARGENTINA COULD USE CONSIDERABLY MORE SCRAP THAN IT HAS BEEN OBTAINING FROM US UNDER QUOTA SYSTEM. ACCORDING TO INDUSTRY SOURCES, RECENT GOA DECISION TO DECONTROL PRICE OF DOMESTIC SCRAP HAS NOT RESULTED IN ANY SIGNIFICANT INCREASE IN AVAILABILITY. THIS IS NOT SURPRISING IN VIEW OF THE FACT THAT EVEN STATE-OWNED STEEL FIRMS HAD BEEN PAYING BLACK MARKET PRICES FOR SCRAP FOR MANY MONTHS.

3. CIS HAS PROMISED EMBASSY FIGURES ON CURRENT SCRAP STOCKS. THEY ARE NOT YET AVAILABLE. EMBASSY WILL FORWARD THEM AS SOON AS RECEIVED. DECON 12/5/74.  
HILL

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## Message Attributes

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